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C O N F I D E N T I A L SECTION 01 OF 03 GUATEMALA 000223

SIPDIS

DEPARTMENT FOR WHA A/S NORIEGA

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TAGS: [PREL](#) [OVIP](#) [PGOV](#) [SNAR](#) [EAID](#) [ETRD](#) [PHUM](#) [MASS](#) [KTIA](#) [GT](#)

SUBJECT: SCENE SETTER FOR THE FEBRUARY 3-5 VISIT TO
GUATEMALA OF WHA A/S ROGER NORIEGA

Classified By: PolCouns David E. Lindwall, reason 1.5 (b) and (d).

Summary:

1. (C) Your visit to Guatemala comes as President Berger and his team are anxious to demonstrate publicly that bilateral relations have improved and that we have a shared agenda on trade and investment, fighting domestic corruption and transnational crime, and the 1996 Peace Accords. As he did with Governor Bush and with private sector unhappiness over CAFTA deal growing, Berger will seek your help for "an adjustment;" he also wants a big assist in investigating and prosecuting corrupt officials of the Portillo government. Other request include increased assistance in the war on drugs, protection for Guatemalan immigrants in the US, financial assistance for a major reduction of the military and getting off the FATF list of non-cooperating countries. We would like you to raise CICIACS, the labor GSP petition, TIP and Article 98. End summary.

Off to a strong start

2. (C) In his first days in office, Berger secured a governability pact with two reform-minded parties in Congress, ensuring a pro-government majority in the fractious legislature for now. He named a capable and experienced team of ministers and advisers who have increased public confidence that his government will deliver job creation and improved public security. The governability pact gave effective control of Congress to the center-left UNE party, requiring Berger to negotiate on important legislation; implications there are still unclear.

3. (C) Despite finding their ministries with few resources and having little formal transition, Berger's team has begun to implement his agenda. Berger has toured areas of the city with serious crime problems, and has launched joint military/police patrols in areas dominated by gangs. Minister of Education Acena is defusing a threatened nation-wide teachers strike. The Ministry of Economy is engaged on CAFTA (a problem area -- see para. 5 below). The government will soon launch a campaign targeted at eliminating malnutrition in the areas affected by famine.

4. (C) Berger has drawn public attention to the improvement in the US-Guatemala relationship. He is an admirer of the ARENA governments in El Salvador, and is convinced that progress and development in El Salvador have been driven to a large extent by the policy of successive ARENA governments to ally themselves closely with the U.S. Foreign Minister Briz invited the Ambassador over to the Ministry only days after taking office and called in the press corps to make the point that the Berger government values its relationship with us. Briz told the Ambassador that the GOG wants to give the Peace Corps the Orden del Quetzal (Guatemala's highest recognition) in March, in glaring contrast to Portillo's bestowing the medal on the Cuban medical brigade. President Berger invited the Ambassador and DCM for a private breakfast at the Palace on January 29. Berger's ministers are by and large long-time contacts of the Embassy, and have reaffirmed the priority they attach to maintaining close ties with us in their new positions.

CAFTA

5. (C) Berger is a true believer in free trade and is a strong supporter of CAFTA, not only as a mechanism to increase trade and investment, but as a symbol of a new and much broader relationship between our two countries. But with Guatemala's private sector increasingly upset over the outcome for Guatemala and convinced that the Portillo government negotiated CAFTA in bad faith, making some concessions intentionally for the purpose of punishing the economic sectors that financed Berger's election campaign, he is concerned that this issue is becoming politically unmanageable. USTR made some "adjustments" this week to accommodate these concerns and gave Guatemala treatment more similar to that given the other countries. However, the Portillo government's concession on beer was not addressed and remains a particular concern to Berger as the owners of Guatemala's newest brewery were his largest campaign contributors. Berger will tell you, as he did the Ambassador on January 29, that he will "continue fighting" for beer.

We and USTR have countered Berger's concerns by noting that Guatemala's negotiators worked hard and achieved an outcome that, on balance, is very similar to what others achieved (Note: See Guatemala 207 for a more detailed analysis of the Berger government's views on reopening CAFTA, and our response. end note).

Corruption investigation

16. (C) There is growing press attention to major corruption cases involving senior officials of the Portillo government, and Berger will ask you for USG support to investigate and prosecute former officials. He recently asked us to cancel the visas of a number of former officials (including President Portillo); we told him that all visa revocations have to follow due process and that we may have a law enforcement interest in not/not revoking visas at this point.

Neither should we close that door, however. Other Berger officials have asked us about pending investigations in the US against Portillo-era officials, and it is clear that Berger intends to pursue some legal action against the most egregious cases of corruption under the previous government. The past few days have seen a feeding frenzy in the press as reports of investigations of former GOG officials by US authorities have made the news. We have made it clear that we can not comment on ongoing judicial investigations in the United States. At the January 29 meeting, Berger welcomed the offer to receive a briefing on the status of the investigation from U.S. law enforcement officials.

Immigration

17. (C) During the campaign, Berger met with Guatemalan immigrants to the US, recognizing the growing importance of their remittances to family members in Guatemala (which, at close to \$2 billion in 2003, exceeded foreign currency earnings from coffee, sugar, and tourism combined). Berger and Foreign Minister Briz have told us that migrant issues will be high on their agenda, and have asked us informally if the US would consider extending TPS benefits to Guatemalan migrants. Assistant Secretary of State for Consular Affairs Maura Harty, during a January 21 visit to Guatemala, told senior MFA officials that President Bush's initiative on immigration is designed to address the concerns the Berger government is interested in, and urged the GOG to follow that process carefully. The Ambassador reinforced that point and further noted to Berger on January 29 that Guatemala is increasingly taking advantage of the H2-B program, and said the Berger government can take credit for the consolidation of this program in coming years.

Counter-narcotics cooperation

18. (C) President Berger is also determined to crack down on drug trafficking through Guatemala, and cocaine seizures during his first two weeks in office have already topped 1,200 kilos. Berger is looking for additional resources to dedicate to the war on drugs, and would like to see our financial assistance increase. He told the Ambassador on January 29 that the poor state of maintenance of Guatemala's air force assets makes it difficult for the GOG to provide support at the level it would like to counter-narcotics operations. We have told him that the seizure in 2003 of \$22 million in cash demonstrates the potential for Guatemala to use seized assets to fund GOG efforts in the war on drugs, and encouraged him to seek an agreement with the Supreme Court on how to use those funds (Note: The Constitution assigns all seized assets to be administered by the Supreme Court. We have long encouraged the GOG to negotiate an MOU with the judiciary which would allow for the sharing of those assets -- currently not being used -- with the narcotics police and other GOG agencies active in the war on drugs. End note).

Reducing the military

19. (C) The spiraling military budget during the Portillo administration convinced Berger to reduce the armed forces. He told the Ambassador on January 29 that he commissioned the new Minister of Defense to devise a plan to reduce the military, and sent the first draft back asking the Minister to cut deeper. Berger would like to cut 16,000 officers and troops, and estimates that severance benefits alone will cost roughly \$200 million. He would like to finance it with foreign aid, and hopes to enlist Nobel laureate Rigoberta Menchu to pass the hat among traditional donors. He asked for our help. The Ambassador told Berger that, irrespective of our support for military reform, the donor community would not easily be persuaded to finance job layoffs, and urged Berger to explore ways to finance the reform by selling valuable property currently owned by the military. On military assistance more broadly, the Ambassador noted that current congressional prohibitions could only be overcome by profound reforms in the military and a serious and public accounting for past human rights violations.

Berger is open to our agenda

110. (C) Berger will welcome engaging in a dialogue with you on our priorities in the bilateral agenda. He has asked the Foreign Ministry to review the status of our discussions on an Article 98 Agreement, and appears poised to expedite a negotiation. The Foreign Ministry is also preparing draft legislation to renew authority for Mayan Jaguar counter-narcotics exercises, and is preparing a presentation for an upcoming GSP review. Berger is also anxious to resume meetings of the bilateral working groups on counter-narcotics cooperation, trafficking in persons and labor rights, and the Foreign Ministry intends to convoke all three groups during February.

111. (C) Berger strongly supports the creation of CICIACS, though that ball is now in the hands of Congress and the Constitutional Court. We expect him to use his considerable political capital to positively influence debate in Congress, but his influence with the high court is limited. The Constitutional Court magistrates have not tipped their hands on how they might rule on CICIACS' constitutionality. This initiative is unprecedented in form and scope, and -- while expensive -- could save us significantly greater expenditures five to ten years down the road. This is definitely an area where we can already see around the corner.

Comment

112. (C) Berger will use your visit to gauge how important these issues are to us, and to see if there are any additional resources we can bring to bear to advance our common agenda. Your restating the priority we attach to concluding an Article 98 Agreement, passing a law extending Mayan Jaguar, increasing cooperation against drugs and illegal alien smuggling, tightening GOG actions against trafficking in persons, improving respect for labor rights and signing CAFTA will not be lost on Berger or his team. We look forward to your visit and believe it will significantly advance USG interests with the new government.

HAMILTON